

**TOWNSHIP OF ALOHA**  
**CHEBOYGAN COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

## Township of Aloha

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## Independent Auditor's Report

September 9, 2008

To the Township Board  
Aloha Township  
Cheboygan County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Aloha, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Aloha as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2005.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on pages 20-23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
KESKINE, COOK, MILLER & ALEXANDER, LLP

# Aloha Township

Charles Maziasz  
Supervisor 231-625-2132

Barbara Hall  
Clerk 231-625-2914

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Aloha Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements that immediately follow this section.

### Financial Analysis of the Township as a Whole

Our financial status increased over the last year.

Overall revenues were approximately \$280,000, of which approximately \$19,000 is classified as program revenues, and approximately \$261,000 is classified as general revenues (consisting primarily of state-shared revenues and property taxes). Total revenues have increased slightly over the last two years due to increasing property tax revenues as a result increasing taxable values of properties within the Township, despite annual decreases in state shared revenues. Overall expenses totaled approximately \$207,000. The activities of the Township have remained the same.

Total assets total approximately \$471,500, which consists of approximately \$18,000 in capital assets, approximately \$431,500 in cash and investments, and approximately \$22,000 in property tax receivables.

Net assets as of March 31, 2008 total approximately \$471,000 which represents an increase of approximately \$87,000 from the year ended March 31, 2007. Approximately \$18,000 of the total net assets is invested in capital assets with approximately \$239,000 being unrestricted.

The following table shows in condensed format, the net assets as of March 31, 2008 and 2007.

	Governmental Activities	
	2008	2007
<b>Assets</b>		
Current assets	\$ 453,500	\$ 366,500
Noncurrent assets	18,000	18,000
Total assets	471,500	384,500
<b>Current Liabilities</b>	500	500
<b>Net Assets</b>		
Invested in capital assets - net of related debt	18,000	18,000
Restricted	214,000	144,000
Unrestricted	239,000	222,000
Total net assets	\$ 471,000	\$ 384,000

## **Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the general fund (the only fund of the Township).

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

## **Government-Wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following funds:

**General Fund:** This fund is used to record all activities of the Township not required to be recorded in a separate fund. The major source of revenue for the general fund is from the Township tax base and revenue sharing from the State of Michigan. The major expenses for the year include the general operating activities of the Township.

**Road Fund:** This fund is used to account for the repairs and maintenance of the Township's roads. Revenues consist primarily of a voter approved road millage.

**Fire Fund:** This fund is used to account for the collection of a voter approved fire millage and payments to the Alverno Fire Department which covers all of Aloha Township.

## **Capital Asset and Long-Term Debt Activity**

For the year ended March 31, 2008, the Township purchased no capital assets. Depreciation expense for the year totaled \$683. Total capital assets total approximately \$25,000 of which approximately \$6,500 has previously been depreciated.

The Township has no outstanding long-term debt or capital leases.

#### **Known Factors affecting Future Operations**

The Township is planning road reconstruction of part of Long Lake Road estimated at approximately \$300,000. The Long Lake Road project is anticipated to run through approximately 2012.

#### **Contacting Township Management**

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact the Township Clerk at the following address: Barb Hall, Aloha Township Clerk, 5104 Paradise Trail, Cheboygan, MI 49721.

A handwritten signature in black ink, appearing to read "Charles Maziasz", is written over a horizontal line. The signature is fluid and cursive, with a large loop at the end.

Charles Maziasz, Supervisor

**TOWNSHIP OF ALOHA  
STATEMENT OF NET ASSETS  
MARCH 31, 2008**

	<b>Primary Government - Governmental Activities</b>
<hr/>	
<b>Assets</b>	
Cash	\$ 432,020
Receivables	22,071
Capital assets:	
Nondepreciable capital assets	5,000
Depreciable capital assets - net	12,532
	<hr/>
Total assets	471,623
<b>Liabilities</b>	
Accounts payable	512
Accrued liabilities	34
	<hr/>
<b>Net Assets</b>	
Invested in capital assets	17,532
Restricted - Road improvements	207,405
Restricted - Fire protection	6,871
Unrestricted	239,269
	<hr/>
Total net assets	\$ 471,077
	<hr/> <hr/>

See accompanying notes to financial statements

**TOWNSHIP OF ALOHA  
STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2008**

Functions / Programs	<u>Program Revenue</u>			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
General government	\$ 134,742	\$ 19,368	\$ -	\$ -
Public Safety	50,816	-	-	(115,374)
Public Works	6,463	-	-	(50,816)
Health and welfare	14,857	-	-	(6,463)
				(14,857)
Total primary government	\$ 206,878	\$ 19,368	\$ -	\$ (187,510)
<b>General Revenues:</b>				
Property taxes				156,968
State shared revenue (not restricted to a specific purpose)				59,994
Interest				17,033
Contributions from other governments				14,000
Miscellaneous				12,967
Total general revenue				260,962
Change in net assets				
Net Assets - Beginning of year				73,452
Net Assets - End of year				397,625
				\$ 471,077

See accompanying notes to financial statements

**TOWNSHIP OF ALOHA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2008**

	<u>M a j o r F u n d s</u>			<u>Non-major Fund</u>	
	<u>General</u>	<u>Fire</u>	<u>Roads</u>	<u>Cemetery</u>	<u>Total</u>
<b>Assets</b>					
Cash	\$ 230,835	\$ 92	\$ 196,201	\$ 4,892	\$ 432,020
Receivables	8,513	6,779	6,779	-	22,071
Due from other funds	-	-	4,425	-	4,425
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 239,348	\$ 6,871	\$ 207,405	\$ 4,892	\$ 458,516
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 512	\$ -	\$ -	\$ -	\$ 512
Accrued liabilities	-	-	-	34	34
Due to other funds	4,425	-	-	-	4,425
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balances:</b>					
Undesignated	234,411	6,871	207,405	4,858	453,545
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 239,348	\$ 6,871	\$ 207,405	\$ 4,892	\$ 458,516
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements

**TOWNSHIP OF ALOHA  
RECONCILIATION OF THE GOVERNMENTAL FUND'S BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2008**

<b>Total Fund Balance - Governmental Funds (per balance sheet - page 7)</b>	453,545
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Amounts reported for governmental activities in the Statement of Net Assets (page 5) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not used in the funds	17,532
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<b>Total Net Assets - Governmental Activities (per Statement of Net Assets - page 5)</b>	<u>471,077</u>
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See accompanying notes to financial statements

**TOWNSHIP OF ALOHA**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2008**

	<b>M a j o r F u n d s</b>			<b>Non-major Fund</b>	
	<b>General</b>	<b>Fire</b>	<b>Roads</b>	<b>Cemetery</b>	<b>Total</b>
<b>Revenues</b>					
Property tax revenue	\$ 52,480	\$ 52,244	\$ 52,244	\$ -	\$ 156,968
Property tax administration fee	16,260	-	-	-	16,260
State shared revenue	59,994	-	-	-	59,994
Interest income	10,210	61	6,640	122	17,033
Other revenue	9,415	-	-	6,660	16,075
Total revenue	148,359	52,305	58,884	6,782	266,330
<b>Expenditures</b>					
Current :					
General government	113,921	-	-	20,138	134,059
Public works	6,463	-	-	-	6,463
Public safety	-	50,816	-	-	50,816
Health and welfare	14,857	-	-	-	14,857
Total expenditures	135,241	50,816	-	20,138	206,195
Excess (deficiency) of revenue over (under) expenditures	13,118	1,489	58,884	(13,356)	60,135
<b>Other financing sources (uses)</b>					
Contributions from other Governments	-	-	-	14,000	14,000
Transfer from other funds	(4,000)	-	-	4,000	-
Total other financing sources (uses)	(4,000)	-	-	18,000	14,000
Excess (deficiency) of revenue and other sources over (under) expenditures and other uses	9,118	1,489	58,884	4,644	74,135
Fund Balance - Beginning of Year	225,293	5,382	148,521	214	379,410
Fund Balance - End of Year	\$ 234,411	\$ 6,871	\$ 207,405	\$ 4,858	\$ 453,545

See accompanying notes to financial statements

**TOWNSHIP OF ALOHA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2008**

<b>Net Change in Fund Balance - Total Governmental Funds - Page 9</b>	74,135
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Amounts reported for governmental activities in the Statement of Activities  
(page 6) are different because:

Depreciation expense is recorded in the government-wide statements but not in the fund financial statements	(683)
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<b>Change in Net Assets of Governmental Activities (per Statement of Net Assets - page 6)</b>	<u>73,452</u>
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See accompanying notes to financial statements

TOWNSHIP OF ALOHA  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUND  
MARCH 31, 2008

	<b>Assets</b>	
Cash		\$ 403
		<u>          </u>
	<b>Liabilities</b>	
Due to other governments		\$ 403
		<u>          </u>

See accompanying notes to financial statements

**TOWNSHIP OF ALOHA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2008**

**NOTE 1: ENTITY**

The Township of Aloha is a general law township of the State of Michigan, located in Cheboygan County, Michigan. The Township of Aloha operates under a five-member elected Board. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Aloha Township.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of Aloha Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities for the year.

The accounting policies of Aloha Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2005, Aloha Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

**TOWNSHIP OF ALOHA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION  
(CONTINUED)**

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**FUND TYPES AND MAJOR FUNDS**

***Governmental Funds***

The Township reports the following major governmental funds:

*General Fund* – This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state grants, interest, and other intergovernmental revenues.

*Fire Fund* – This fund is used to account for the Township's fire operating activity.

*Road Fund* – This fund is used to account for the Township's voter approved road property taxes collected and road improvements and maintenance performed.

The Township reports, in total, the following non-major fund: Cemetery.

**TOWNSHIP OF ALOHA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND TYPES AND MAJOR FUNDS (CONTINUED)**

***Fiduciary Fund***

Fiduciary funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township maintains a tax collection fund in this category.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

***Government-Wide Financial Statements***

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

***Governmental Fund Financial Statements***

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

TOWNSHIP OF ALOHA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2008

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

***Governmental Fund Financial Statements (Continued)***

The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

**Property Taxes**

The property tax calendar is as follows:

Levy Dates	July 1, 2007	(summer collection)
	December 1, 2007	(winter collection)
Due Dates	September 15, 2007	(summer collection)
	February 15, 2008	(winter collection)

The real property tax rolls were turned over to the County of Cheboygan on March 1, 2006. Collection of personal property taxes remains the responsibility of the Township. Amounts collected after the due date are assessed interest and / or penalty provisions. A county revolving fund normally pays the balance of the Township's real property tax levy by May 31. The entire Township levy is recorded as revenue in the current year.

The tax rates for the year ended March 31, 2008, were as follows:

<u>Purpose</u>	<u>Rate</u>
General	0.9793 / \$1,000
Fire	0.9793 / \$1,000
Road	0.9793 / \$1,000

**TOWNSHIP OF ALOHA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL ASSETS AND DEPRECIATION**

The Township's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

The following ranges are proposed as guidelines in estimating useful lives for asset reporting:

Building improvements	25 – 40
Land improvements	10 – 20
Machinery & equipment	5 – 10
Vehicles	10 – 15

Land and construction in progress are not depreciated.

With respect to asset improvements, costs over \$5,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Otherwise, the cost should be expensed as repair and maintenance.

**BUDGETS**

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The Board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. The budgets presented are the final amended amounts. Budgets close on March 31st each year.

For the fiscal year ended March 31, 2008, the Township experienced no over expenditures.

**TOWNSHIP OF ALOHA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**NOTE 3: CASH AND INVESTMENTS**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of its funds. The Investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs.

Warner Township's deposits and investment policies are in accordance with statutory authority.

As of March 31, 2008, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 432,020</u>	<u>\$ 403</u>	<u>\$ 432,423</u>

The Township's cash and investments consist entirely of bank deposits as follows:

Bank deposits - checking and savings accounts	\$ 214,617
Certificates of deposit	<u>217,806</u>
Total	<u>\$ 432,423</u>

**TOWNSHIP OF ALOHA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2008**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

**Deposits**

The bank balance of the Township's deposits is \$433,268.15 of which \$200,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated level are used as depositories.

**NOTE 4: CAPITAL ASSETS**

Capital asset activity of the Township's activities were as follows:

	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Governmental Activities				
Capital assets not being depreciated - Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated:				
Buildings	14,825	-	-	14,825
Furniture and fixtures	5,163	-	-	5,163
Subtotal	19,988	-	-	19,988
Accumulated depreciation:				
Buildings	4,364	339	-	4,703
Furniture and fixtures	2,409	344	-	2,753
Subtotal	6,773	683	-	7,456
Net capital assets being depreciated	13,215	(683)	-	12,532
Net capital assets	<u>\$ 18,215</u>	<u>\$ (683)</u>	<u>\$ -</u>	<u>\$ 17,532</u>

Depreciation expense was charged entirely to the general government activity.

**TOWNSHIP OF ALOHA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2008**

**NOTE 5: PENSION PLAN**

The Township of Aloha contributes to a pension plan which is a defined contribution pension plan administered by the Manulife Financial, Inc.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

All members of the elected Township Board are eligible to participate in the plan. Contributions made by the Township and employees vest immediately. The participant will receive benefits upon termination of employment with the Township.

The plan requires the Township to contribute 15% of the eligible employee's wages. During the year the Township contributed \$7,067 to the plan, which was the amount necessary to meet the Township's current year obligation as well as account charges to the plan provider.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

**TOWNSHIP OF ALOHA**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2008**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance From Final Amended Budget</u>
<b>Revenues</b>				
Property tax revenue	\$ 42,500	\$ 42,500	\$ 52,480	\$ (9,980)
Property tax administration fee	11,000	11,000	16,260	(5,260)
State shared revenue	70,000	70,000	59,994	10,006
Interest income	2,000	2,000	10,210	(8,210)
Other revenue	9,703	9,703	9,415	288
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	135,203	135,203	148,359	(13,156)
<b>Expenditures</b>				
General government:				
Township Board	13,200	13,200	25,921	(12,721)
Supervisor	19,444	19,444	18,769	675
Elections	400	400	901	(501)
Assessor	15,100	15,100	10,039	5,061
Clerk	15,306	15,306	16,920	(1,614)
Board of Review	3,800	3,800	3,947	(147)
Treasurer	23,706	23,706	20,106	3,600
Township Hall	8,100	8,100	6,081	2,019
Insurance	7,000	7,000	4,584	2,416
Professional Fees	10,000	10,000	5,753	4,247
Liquor control	900	900	900	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total general government	116,956	116,956	113,921	3,035
Public works:				
Street repairs	20,000	20,000	4,781	15,219
Street lights	2,000	2,000	1,682	318
	<hr/>	<hr/>	<hr/>	<hr/>
Total public works	22,000	22,000	6,463	15,537
Public safety:				
Fire hydrant repair	1,000	1,000	-	1,000
Fire building repair	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total public safety	1,000	1,000	-	1,000

**TOWNSHIP OF ALOHA  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED MARCH 31, 2008**

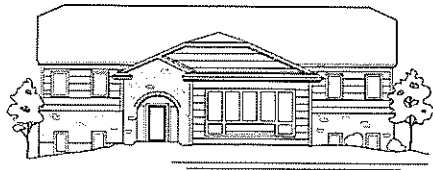
	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance From Final Amended Budget</b>
Health and welfare:				
Garbage pick-up	14,000	14,000	14,157	(157)
Cheb Co Humane Society	700	700	700	-
Total health and welfare	14,700	14,700	14,857	(157)
Total expenditures	154,656	154,656	135,241	19,415
Excess (deficiency) of revenue over (under) expenditures	(19,453)	(19,453)	13,118	(32,571)
<b>Other financing uses:</b>				
Transfer to cemetery	(4,000)	(4,000)	(4,000)	-
Excess (deficiency) of revenue over (under) expenditures and other uses	(23,453)	(23,453)	9,118	(32,571)
<b>Fund Balance - Beginning of Year</b>	225,293	225,293	225,293	-
<b>Fund Balance - End of Year</b>	<u>\$ 201,840</u>	<u>\$ 201,840</u>	<u>\$ 234,411</u>	<u>\$ (32,571)</u>

**TOWNSHIP OF ALOHA  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FIRE FUND  
YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance From Final Amended Budget</b>
<b>Revenues</b>				
Property tax revenue	\$ 43,000	\$ 43,000	\$ 52,244	\$ (9,244)
Interest	50	50	61	(11)
Total revenue	43,050	43,050	52,305	(9,255)
<b>Expenditures</b>				
Fire contract	43,100	43,100	50,816	(7,716)
Deficiency of revenue under expenditures	(50)	(50)	1,489	(1,539)
<b>Fund Balance - Beginning of Year</b>	5,382	5,382	5,382	-
<b>Fund Balance - End of Year</b>	<u>\$ 5,332</u>	<u>\$ 5,332</u>	<u>\$ 6,871</u>	<u>\$ (1,539)</u>

**TOWNSHIP OF ALOHA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET TO ACTUAL  
ROAD FUND  
YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance From Final Amended Budget</b>
<b>Revenues</b>				
Property tax revenue	\$ 43,000	\$ 43,000	\$ 52,244	\$ (9,244)
Interest income	1,000	1,000	6,640	(5,640)
Total revenue	44,000	44,000	58,884	(14,884)
<b>Expenditures</b>				
Road projects	44,000	44,000	-	44,000
Deficiency of revenue under expenditures	-	-	58,884	(58,884)
<b>Fund Balance - Beginning of Year</b>	148,521	148,521	148,521	-
<b>Fund Balance - End of Year</b>	<u>\$ 148,521</u>	<u>\$ 148,521</u>	<u>\$ 207,405</u>	<u>\$ (58,884)</u>



**Keskin, Cook, Miller & Alexander, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS  
September 9, 2008

Jeffrey B. Cook, CPA  
Richard W. Miller, CPA  
Curt A. Reppuhn, CPA  
Terry J. Distel, CPA (Ret.)  
Joseph G. Okrei, CPA (Ret.)  
Walter J. Keskin, CPA (Ret.)  
Ronald D. Alexander, CPA (Ret.)

To the Township Board

Aloha Township, Otsego County, MI.

In planning and performing our audit of the financial statements of Aloha Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Aloha Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

### **Segregation of Duties**

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

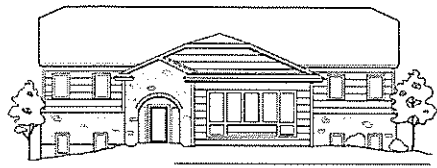
### **Preparation of Financial Statements**

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the organization has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Organization has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Organization has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Organizations of its size.

This communication is intended solely for the information and use of management, Aloha Township, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Keskine, Cook, Miller & Alexander LLP*

Keskine, Cook, Miller & Alexander, LLP



**Keskin, Cook, Miller & Alexander, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Curt A. Reppuhn, CPA

September 9, 2008

Township of Aloha  
Cheboygan County, Michigan

We have audited the financial statements of the Township of Aloha for the year ended March 31, 2008, and have issued our report thereon dated September 9, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated March 1, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Aloha. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Aloha are described in the notes to the financial statements.

We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached pages summarize the adjustments that were proposed to management and made to the audited financial statements.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Difficulties Encountered in Performing the Audit**

The Township of Aloha's accounting records were well organized and we are happy to report that there were no difficulties in performing the audit.

### ***Comments and Recommendations***

In planning and performing our audit of the financial statements of the Township of Aloha, we noted items requiring comment.

### **Segregation of Duties**

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

### **Preparation of Financial Statements**

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committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Organizations of its size.

This information is intended solely for the information of the Township of Aloha's Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Keskine, Cook, Miller & Alexander LLP*  
Keskine, Cook, Miller & Alexander, LLP